

STATE OF MAINE
PUBLIC UTILITIES COMMISSION

Docket No. 94-254
(Reopened)

April 21, 1998

FREDERIC A. PEASE V. NEW ENGLAND
TELEPHONE AND TELEGRAPH COMPANY
D/B/A NYNEX
Complaint Requesting Commission
Investigation of the Level of
Revenues Being Earned by NYNEX
and Determination of Whether Toll
and Local Rates Should be Reduced

ORDER REOPENING DOCKET
(SCHOOLS AND LIBRARIES)

WELCH, Chairman; NUGENT and HUNT, Commissioners

I. SUMMARY

In this Order, we reopen Docket No. 94-254, pursuant to 35-A M.R.S.A. § 1321, to consider how to treat funds not expended by Bell Atlantic (Bell Atlantic, BA, or the Company)¹ in connecting Maine's schools and libraries to the internet.

II. BACKGROUND

Bell Atlantic-Maine's last rate case concluded in May 1995. *Frederic Pease v. New England Telephone Company d/b/a NYNEX*, Docket No. 94-254 (May 15, 1995) (Docket No. 94-254 Order). These rates established the starting point for the Alternative Form of Regulation (AFOR) implemented by the Commission at that same time in a parallel docket. *Public Utilities Commission, Investigation Into Regulatory Alternatives for the New England Telephone Co. d/b/a NYNEX*, Docket No. 94-123 (May 15, 1995) (Docket No. 94-123 Order). In the rate case, the Commission ordered a reduction in rates designed to decrease BA's annual intrastate revenues by \$14,446,000. Docket No. 94-254 Order at 56.² The Commission also ordered \$4.0 million of the mandated rate reduction be used to reduce rates and/or provide additional services to Maine's libraries and schools. *Id.* at 58.

¹New England Telephone and Telegraph Company d/b/a NYNEX merged with Bell Atlantic in August 1997. All references in this document are to Bell Atlantic-Maine.

²The Commission ordered BA to accomplish the reduction by eliminating the charge for touchtone service (\$4.5 million); providing certain services for schools and libraries (\$4.0 million) (as described above); with the remainder of the reduction to go toward lowering toll rates. Docket No. 94-254 Order at 56-59.

The Commission directed NYNEX to work with interested parties and submit a proposal describing how the support would be used to benefit schools and libraries. The Commission stated that if the entire \$4.0 million yearly amount was not used to support libraries and schools then the remaining portion would be used for toll reductions. *Id.* at 59.

BA filed a proposal on July 31, 1995, after collaborating with members of the school and library community and other interested parties. The Commission allowed parties to further comment on the proposal and then issued an order in January 1996, approving a plan substantially similar to the one proposed by BA. Under the plan, BA would provide every public school and library a 56 Kbps connection to the internet. Sites desiring a higher level of connectivity could choose to receive funding of a value equivalent to a 56 Kbps connection to put toward the cost of that service. A board was established to oversee the implementation and ongoing management of the project.

BA originally projected that it would spend \$4 million per year for 7 years to implement its proposal. BA used its tariffed rates for 56 Kbps service to estimate the cost. The Commission instead ordered BA to use incremental costs (e.g., out-of-pocket costs) to determine what portion of the up-to-\$4 million it spent each year. The Commission clarified that the allocation for the project was up to \$4 million for 5 years, or up to \$20 million total.

In April 1996, the Legislature enacted legislation declaring that computer-based information services and networks were important economic and educational resources that should be made available in all communities of the State. To carry out this policy the Commission may require telecommunications carriers to provide such service to schools and libraries at reduced or no charge; acquire such equipment; establish a fund with telecommunications carriers; funding to assist schools and libraries paying for such costs. 35-A M.R.S.A. §§ 7101(4) and 7104-A. The Legislature also recognized that the Commission's actions creating the Maine School and Library Network were pursuant to this policy and this authority. P.L. 1995, ch. 631.

III. IMPLEMENTATION OF MAINE SCHOOL AND LIBRARY NETWORK

Applications were sent to all eligible schools and libraries in April 1996 and installations began in May 1996. By December 31, 1997, 92% of eligible schools and libraries (1,106 sites) were connected to the internet. Virtually every school and library desiring a connection had received one. A survey conducted in October 1997 by the School and Library Advisory Board indicated a high degree of satisfaction with the project.

The federal government recently began a program that will complement the connections made through the Maine School and Library Network. Schools and libraries can apply for discounts on virtually any type of telecommunication service, including inside wiring. These so-called E-Rate discounts are paid for through a levy on all interstate telecommunications carriers. The Maine Department of Education and State Library have filed blanket applications for some services for all of Maine's schools and libraries. Over 400 individual applications have been made by Maine's schools and libraries. The first discounts should be available in June and must be applied for annually. By using the E-Rate discounts, schools and libraries that are currently connected to the internet through Maine's School and Library Network will be able to purchase more advanced network connections.

As of December 1, 1997, BA had spent \$5,231,664 on the Maine School and Library Network and projects spending an additional \$4,242,609 through May 2000 to continue operating the Network as presently configured. See Attachment. The Commission must, therefore, determine the appropriate treatment of the remaining \$10,626,727.

IV. SOLICITATION OF COMMENTS

As described above, our original order in Docket No. 94-254 stated that any funds not expended would go to reduce toll rates. However, since that time, the Legislature has required the Commission to reduce intrastate access rates to federal levels by May 30, 1999. 35-A M.R.S.A. § 7101-B (effective September 19, 1997). The Commission has already amended its rules to require these access reductions. See Chapter 280 (amended December 24, 1997). The Commission expects these access rate reductions to be passed on to ratepayers in the form of lower intrastate long-distance rates (e.g., toll rates). As a result, the need for additional funds to lower toll rates identified in our May 1995 order has been greatly reduced.

The Commission seeks comments on whether \$10 million of the remaining \$10.6 million in funds should be used to reduce Bell Atlantic customers' basic rates. This would decrease Basic Exchange rates by approximately \$0.50 per month. The remaining \$600,000 could be reserved for use by the School and Library Network for any necessary expenses, unforeseen at this time, to maintain the Network as currently designed.

We expect that the federal E-Rate will largely supplant the need for the Bell Atlantic school and library subsidy after March of 2000. If the E-Rate does not cover all needs or additional needs are identified, the Commission can consider using its authority, pursuant to 35-A M.R.S.A. § 7104-A, to require intrastate telecommunication carriers to fund certain services for schools and libraries. This

would likely apply to all telecommunication carriers offering intrastate telecommunications services, not just Bell Atlantic.

We invite interested persons to comment on the suggested use of funds described above. In addition, interested persons may make any other recommendations. Comments are due by May 4, 1998. Anyone filing comments will be placed on the service list for this reopened docket.

Accordingly, we

O R D E R

1. That Docket No. 94-254 be reopened for the purposes described above in the body of this Order; and

2. That this Order be sent to all parties to original Docket No. 94-254, the service list for Docket No. 96-900 (*Public Utilities Commission, NYNEX Schools and Libraries Project*), and parties to Docket No. 97-319, *Public Utilities Commission, Proposed Amendment of Chapter 280 to Achieve Parity with Interstate Access Rates by May 30, 1999*.

Dated at Augusta, Maine this 21st day of April, 1998.

BY ORDER OF THE COMMISSION

Dennis L. Keschl
Administrative Director

COMMISSIONERS VOTING FOR: Welch
 Nugent
 Hunt